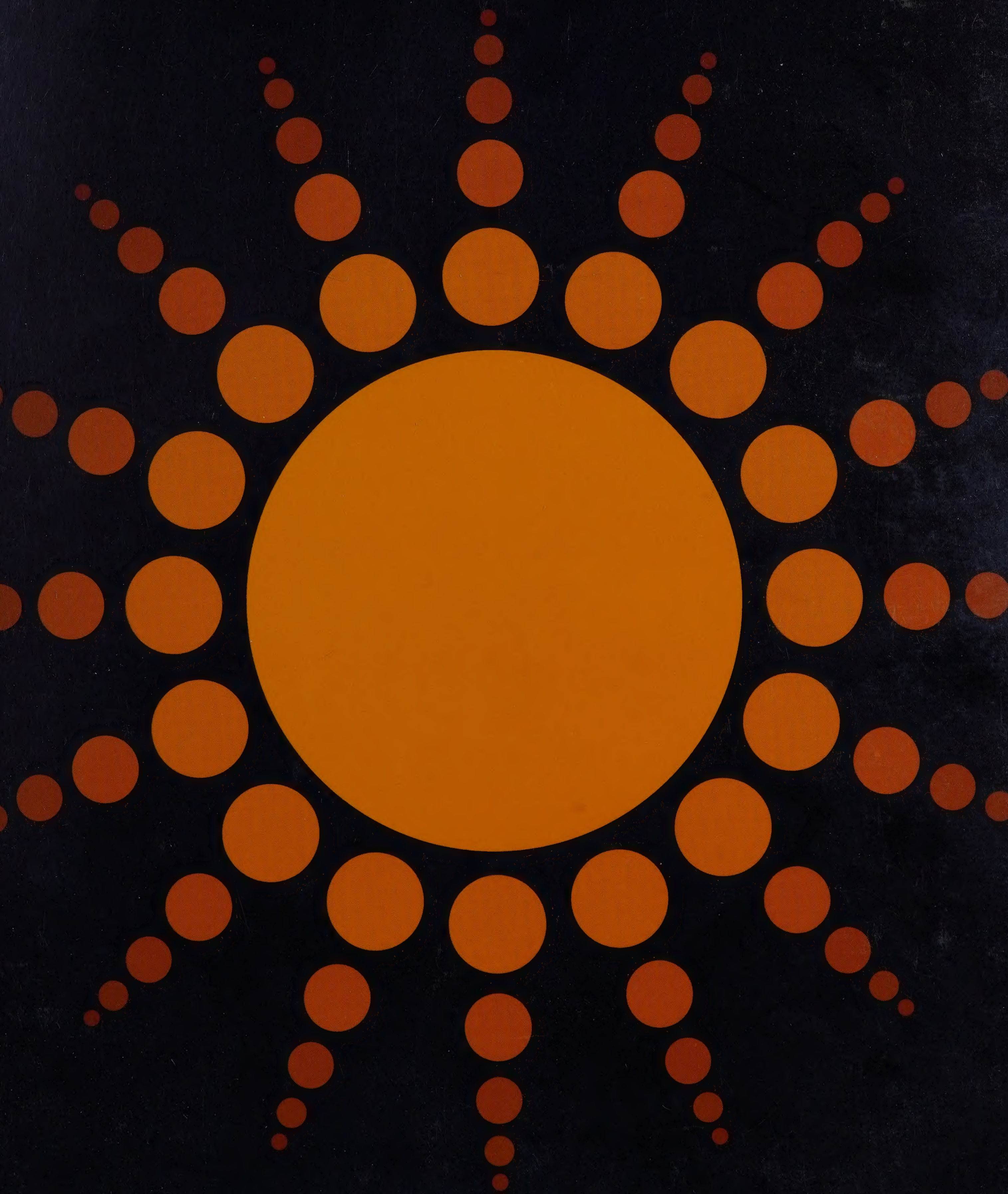
George Weston Limited Annual Report 1973



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INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED
JUNE 30, 1973

GEORGE WESTON LIMITED

GEORGE WESTON LIMITED

TO THE SHAREHOLDERS:

Income from operations for the six months ended June 30, 1973 was $12.1 million ($1.06 per common share), an increase of 63% over the corresponding period in the previous year when $7.4 million (64¢ per common share) was earned.

The improvement in profits is chiefly attributable to two factors. The first is the return to profitability of our Forest Products division. The second factor is materially increased profits from the Fisheries division due to improved export prices. Other divisions continue to produce results slightly more favourable or about equal to last year. Lower corporation taxes for processing operations improved results by approximately 6¢ per share.

Sales of $595 million were $85 million (16.6%) higher than in the first six months of the previous year. Of this increase $38 million was due to the effect of acquisitions. Exclusive of sales by new acquisitions, sales were up 9.7% and reflected increases in all divisions.

The Company continues to have a strong working capital position which amounted to $105 million on June 30, 1973.

The regular quarterly dividend at the increased rate of 25½¢ per common share (previously 23¢) has been declared payable on October 1, 1973 to shareholders of record on September 7, 1973.

The outlook for the remainder of the year continues to be very favourable and record results should be achieved.

Toronto, Canada
August 1, 1973

G. E. CREBER
President and Managing Director

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1973

(Unaudited)

INCOME

	1973 (in thousands of dollars)	1972
SALES AND OTHER INCOME:		
Sales	$594,527	$509,894
Equity in income of George Weston Properties Limited	57	48
Dividends from Loblaw Companies Limited	1,222	1,110
Other investment income	1,251	600
	597,057	511,652
COSTS AND EXPENSES:		
Cost of sales, selling and administrative expenses (before the following)	558,171	483,627
Depreciation	9,579	8,895
Interest on long-term debt	4,111	3,282
Other interest	2,160	1,403
	574,021	497,207
INCOME FROM OPERATIONS before income taxes, minority interests and extraordinary items	23,036	14,445
INCOME TAXES	9,503	5,739
	13,533	8,706
MINORITY INTERESTS	1,396	1,265
INCOME FROM OPERATIONS BEFORE EXTRAORDINARY ITEMS	12,137	7,441
EXTRAORDINARY ITEMS:		
Gain on sale of certain properties in Hull, Quebec, less provisions for related items	—	12,916
Non-recurring profits (losses)	60	(242)
Income tax credits (charges)	(7)	25
NET INCOME FOR THE SIX MONTHS	$ 12,190	$ 20,140
PER COMMON SHARE:		
Income from operations before extraordinary items	$ 1.06	$ .64
Net income	$ 1.07	$ 1.80

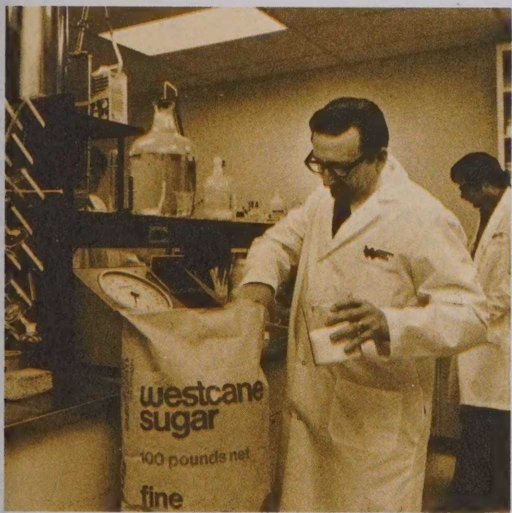
SOURCE AND APPLICATION OF FUNDS

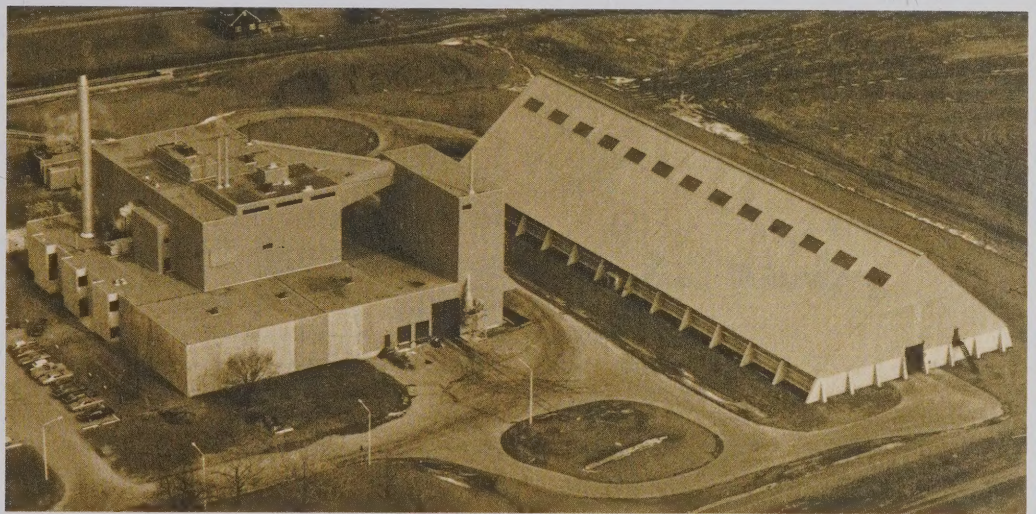
	1973 (in thousands of dollars)	1972
SOURCE OF FUNDS		
Operations—		
Net income	$ 12,190	$ 20,140
Depreciation	9,579	8,895
Deferred income taxes	2,921	(4,887)
Amortization of differences between cost of shares and fair value of net assets acquired	(604)	(719)
Amortization of deferred real estate income	(17)	(43)
Total funds from operations	24,069	23,386
Disposal of fixed assets	1,256	12,168
Increase in minority interests	652	1,294
Net increase (decrease) in long-term debt	10,018	(4,683)
	35,995	32,165
APPLICATION OF FUNDS		
Dividends	5,554	5,089
Additions to fixed assets	19,985	10,744
Increase in investments	6,181	5,936
Excess of cost of shares over fair market value of net assets acquired	929	1,771
Sundry items (net)	787	601
	33,436	24,141
INCREASE IN WORKING CAPITAL	2,559	8,024
WORKING CAPITAL – beginning of year	102,014	99,664
WORKING CAPITAL – June 30	$104,573	$107,688

The 1973 Annual Report of George Weston Limited

Annual Meeting
Royal York Hotel, Toronto, May 23, 1974 at 10:30 a.m.

Our New Westcane Sugar Refinery





One of the long-range operational plans of the Company is the achievement of greater vertical integration within product lines. Of the basic food ingredients used by Weston, sugar ranks among the highest in annual dollar expenditure. In November, 1971 a study was commenced to determine the feasibility of Weston entering into the sugar business as a refiner of cane sugar and in April, 1972 it was recommended that Weston should proceed with the design and construction of a sugar refinery. A $9 million refinery and warehouse complex has recently been completed and is now in production.

The refining of raw cane sugar is largely a process of removing impurities with the result that the end product is almost pure (99.9%) sucrose. The wastes removed are relatively minor and non-toxic, and are disposed of in dry form as land fill.

The refinery is located in the Farewell Industrial Park, Oshawa, Ontario, on land adjacent to the new Oshawa harbour facilities. Normal operating capacity of the refinery is 225 million pounds per annum and maximum annual capacity 300 million pounds. Most of the Westcane products will be sold to the Weston organization and will include liquid bulk and granulated bulk and packaged white sugars.

Financial Highlights

	1973	1972
Sales	$1,377,360,000	$1,137,232,000
Net Income	34,629,000	29,917,000
Income from Operations	34,629,000	18,577,000
Cash Generated from Operations	65,996,000	37,972,000
Working Capital	119,078,000	102,014,000
Working Capital Ratio	1.53 to 1	1.65 to 1
Dividends	12,047,000	10,609,000
Shareholders' Equity	214,880,000	192,153,000
Total Assets	622,922,000	498,026,000
Per Common Share		
Net Income	3.06	2.65
Income from Operations	3.06	1.61
Dividends	.995	.88

Report to Shareholders

Fiscal 1973 was a gratifying year for your company. Sales increased 21% to $1,377 million. Income from operations and net income were $34,629,000 ($3.06 per share) compared with income from operations in 1972 of $18,577,000 ($1.61 per share) and after extraordinary income in 1972, $29,917,000 ($2.65 per share). There was no extraordinary income in 1973.

In the 1972 report we forecast that the Forest Products Division, the earnings of which had been depressed, would "make a significant contribution to earnings in 1973." The Forest Products Division more than fulfilled our expectations in 1973 and the Fisheries Division made significant gains. Earnings of our various divisions are discussed in more detail in the report.

A word of caution over results. The year 1973 saw tremendous increases in commodity prices and inflation at a high level raised all other costs. Replacement of inventories and of assets will be at sharply increased costs and reported results do not take this into account.

Our sugar refinery was completed in 1973 and is now in its start-up period.

In fiscal 1974 the results of Loblaw Companies Limited, which have not previously been included on a consolidated basis, will be consolidated.

The constant review of all our operations and striving for greater efficiency is continuing. This is necessary more than ever before in today's competitive environment and concern over the inflation all countries of the western world seem to be suffering.

To date 1974 results are satisfactory. We expect this to continue to be the case in 1974.

W. Galen Weston

W. Galen Weston
Chairman of the Board
and Managing Director

G. E. Creber

G. E. Creber
President

Toronto, Canada
April 23, 1974

Review of Operations

In 1973 effort was concentrated primarily on internal growth and improving the profitability of the various divisions in a very difficult climate of extremely volatile commodity prices. Major increases in sales and earnings were obtained in the Fisheries and Forest Products Divisions while, despite a modest gain in sales, the Wholesale & Retail Division recorded a decline in earnings before provision for minority interests. Acquisitions during the year and shortly thereafter are described in the sections dealing with corporate changes and subsequent events.

The companies, facilities, and products and services of the various Divisions are outlined in a chart elsewhere in this report.

Sales

In 1973 consolidated net sales increased 21.1% or $240 million to $1,377 million. Approximately $82 million (7.2%) of the increase relates to acquisitions—primarily the inclusion of the operations of The O.K. Economy stores acquired from Loblaws Limited during the year. A chart located elsewhere in this report illustrates the sales by Division on a comparative basis.

Earnings

Consolidated net income for the year amounted to $34.6 million or $3.06 per common share, compared to $29.9 million or $2.65 per common share in 1972. While there was no extraordinary income in 1973, net income in 1972 included an extraordinary gain of $11.3 million ($1.04 per common share) on sale of certain properties in Hull, Quebec. Income from operations for 1973 was $34.6 million ($3.06 per common share), an increase of 86% over the previous year, when $18.6 million ($1.61 per common share) was earned.

As portrayed by the following summary of income from operations (after minority interests), the Forest Products and Fisheries Divisions were the major contributors to the substantial increase in 1973 earnings—accounting for $13.5 million of the increase of $16.0 million.

(in millions of dollars)	1973	1972	Increase
Forest Products	$ 8.9	$ .7	$ 8.2
Fisheries	8.1	2.8	5.3
Wholesale & Retail	5.5	5.1	.4
Manufacturing and other	9.6	7.7	1.9
Loblaw dividends	2.5	2.3	.2
	$34.6	$18.6	$16.0

All divisions were profitable. Profit rate in the Wholesale & Retail Division was .9% on the sales dollar reflecting intense competition. Loblaw results are not consolidated except to the extent of dividends received; in 1974 Loblaw will be reflected on a fully consolidated basis.

Dividends

Dividends on the common shares in the year amounted to $10.9 million as compared to $9.6 million in 1972. The quarterly dividend rate was increased from 23¢ to 25.5¢ effective October 1 and further increased to 28¢ with the January 1, 1974 dividend. Total dividends declared in the year increased from 88¢ to 99.5¢ per share. The regular rates of dividend were maintained on all classes of preferred shares.

Working Capital

Working capital was substantially improved during the year from $102.0 million to $119.1 million, primarily as a result of debt issue and retirement in net amount of $21 million described in the section Long-Term Debt and Shareholders' Equity. The ratio of current assets to current liabilities decreased to 1.53 to 1 as compared to 1.65 to 1 at the close of 1972.

Capital Expenditures

Expenditures on fixed assets in 1973 were substantially increased over 1972—$48.5 million as compared to $27.0 million. The more significant expenditures included approximately $6.7 million on the sugar refinery, $2.6 million for a dimension lumber saw mill, $1.4 million of a planned $2.0 million cost of a replacement fish cannery at Black's Harbour, New Brunswick, a $2.0 million property for chocolate and dairy operations at Georgetown, Ontario, $1.9 million for new and improvements to fishing vessels and $2.5 million for refurbishing supermarkets in British Columbia. In addition, consolidated fixed asset values were increased by $5.5 million through the inclusion in 1973 of the accounts of George Weston Properties Limited. Depreciation written amounted to $19.8 million as compared to $19.0 million in 1972.

Long-Term Debt and Shareholders' Equity

Long-term debt less amounts payable within one year increased by $21.0 million to $131.9 million. New financings totalled $37.2 million, and included twenty year sinking fund debentures issues, by Kelly, Douglas & Company, Limited of $12.0 million at 8⅜%, and by Somerville Industries Limited of $8.0 million at 8½%. Westcane Sugar Limited issued $6.0 million of five year debentures at 9⅜% and $9.0 million of twenty year first mortgage bonds at 9⅜% to finance the sugar refinery.

Under terms of the Executive Share Purchase Plan, 3550 shares of Seventh Series 6% Preferred Shares were created and issued effective February 19, 1973, convertible into 16,905 common shares.

Corporate Changes

As part of a program to rationalize Divisional operations, The O.K. Economy Stores Limited, which operates food outlets mainly in the Province of Saskatchewan, and the Loblaw supermarket operations in Manitoba and Alberta, were purchased from the Loblaw group and are being operated by Westfair Foods Limited.

On October 31, 1973, all of the shares of Bates Packaging Services, Inc. of Des Plaines, Illinois, were acquired. This company and its Canadian subsidiary provide a packaging service for ice cream sandwiches, utilizing wafers produced by the Biscuit Division.

Subsequent Events

In furtherance of the program to improve efficiency of food distribution operations, the W. H. Malkin (British Columbia) division of Westfair Foods Ltd. was sold to Kelly, Douglas & Company, Limited shortly after the year-end.

The activity of each of the Divisions of the Company with emphasis on significant events is briefly summarized in the following pages.

Bakery

1973 sales increased by $16.9 million to $98.3 million (6.3% of consolidated net sales), an increase of 20.8% over 1972.

With the full-year effect of the inclusion of the 1972 acquisitions of Stuart Limited and McCarthy Milling Company, Limited, operating profits of the Division for 1973 showed a satisfactory improvement. Production was increased in all departments—bread, cake and milling. The impact of the Canadian Wheat Board decision to allow the domestic price of wheat to rise to world price levels was of major concern in July. Shortly after, the price of wheat to the milling industry for domestic use was pegged and the Wheat Board subsidized for any difference from world price. In consequence the price of flour increased $3.00 per hundredweight (69%), which increase, combined with those of other ingredients and wages, necessitated a major increase in price of bread and other bakery products in September.

Strong effort is being maintained to develop and implement programs to increase productivity and contain cost increases in order to minimize the effect of the continuing increases in price of ingredients, supplies, wages and equipment upon future prices of the Division's products.

Special Products

Sales for 1973 of $44.6 million (3.1% of consolidated net sales) reflected an increase of 27.8% over the full year 1972, due substantially to increased prices of world commodities. The 1972 sales included in consolidated net sales amounted to $13.7 million. Earnings showed improvement and were at a satisfactory level.

In order to provide for greater efficiency and projected increase in volume the Toronto warehousing operations of Bowes Company, Limited were moved to new facilities early in 1973, and an addition was made subsequently to accommodate the manufacturing operations.

Biscuit

In 1973 net sales increased $10.1 million (9.1%) to $121.5 million (8.4% of consolidated net sales).

Sharply increased prices of ingredients, particularly sugar, without adequate increases in prices of biscuits and confectionery resulted in a decline in profit from 1972 levels.

In December the plant at Passaic, New Jersey, which had become quite obsolete, was closed down and production was transferred to other facilities of the Division. Decision was made during the year to replace the Johnson Biscuit Company plant at Sioux City, Iowa. Construction has commenced on the new facility which when fully operative will have approximately twice the capacity.

For some years Bates Packaging Services Inc. of Des Plaines, Illinois and its Canadian subsidiary, which provide an ice-cream sandwich packaging service, have been large purchasers of ice-cream sandwich wafers produced by several of the Division's plants. All of the outstanding shares of Bates were purchased by Interbake Foods Inc. as of October 31, 1973 in a further step toward vertical integration within the Division.

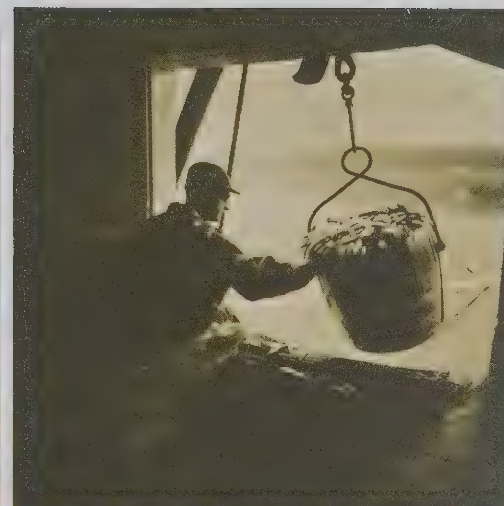
Chocolate & Dairy

Sales of the Division increased $6.1 million or 9.3% to $72.2 million (4.9% of consolidated net sales). Continuing growth in sales was experienced in all product lines—chocolate, ice-cream, milk and other dairy products.

As a result primarily of the improvements made in the previous and current year in restructuring production lines and in quality and cost control, a significant increase in profitability of the chocolate and confectionery products was achieved. Income from ice-cream operations, however, was disappointing, while income from fluid milk sales was maintained at a generally satisfactory level.

During the year William Neilson Limited acquired a property at Georgetown, Ontario to provide for an orderly program of expansion of warehousing and certain production operations over the next ten years.

Fisheries



Both sales and income reached record high levels in 1973. Sales of the Division at $176.3 million reflected an increase of 37.3% over 1972 and constituted 12.5% of consolidated net sales. Sales of British Columbia Packers Limited increased 39.4% while those of Connors Bros. Limited gained 24.5%.

The Division's operations in the year were strongly affected by a number of external factors: accelerating rates of inflation, international currency adjustments, world shortages of protein and shifting world market patterns. Although the British Columbia catch of salmon was above average, landings off the United States and Japan were sharply lower for the second consecutive year. In consequence, export markets—particularly Japan—were very strong.

While industry herring landings on the Atlantic coast continued to decline, those in British Columbia increased, and the industry's valuable exports of herring roe to Japan were expanded. Volume of ground fish increased slightly over the previous year.

Capital expenditures in the year include approximately $2 million for new vessels and improvements to existing vessels, and $1.4 million of a total planned cost of $2.0 million for a new cannery located at Black's Harbour, New Brunswick.

Forest Products

1973 was a turnaround year for the pulp and paper industry. Sales volume increased and profit margins returned to more normal levels after a number of years of depressed conditions. The Forest Products Division experienced a 20.2% increase in sales to $140.1 million (10.0% of consolidated net sales), and a substantial improvement in income from operations.

The Eddy Forest pulp mill operations were much improved following the substantial increases in world prices of pulp and from the improvements in process and design implemented during the past several years.

A new dimension lumber operation with capacity of 100 million board feet per year contiguous with the timber saw mill at Nairn, Ontario will be completed in 1974, for a total estimated cost of $3.6 million of which $2.6 million was expended in 1973.

The operations of the Appleford division were significantly modified and restructured in late 1973 to specialize in printing, coatings and laminations. The Eastern Fine Paper's operation showed a marked improvement and the J. E. Boyle white pine saw mill experienced continuing strong demand.

The E. B. Eddy operation at Hull reflected substantially increased sales and earnings due primarily to the generally improved market conditions in the fine paper industry.

Packaging

Sales in 1973 of the Packaging Division increased 8.0% to $51.3 million (3.5% of consolidated net sales). Significant gains were made in the Packaging, Games and Plastics operations. Volume in the Automotive Products division suffered from the adverse effects of a strike at the Toronto plant in mid 1973, and from the sharp decline in the U.S. automotive industry's output of the larger models late in the year.

Income from operations for the year declined slightly from $1.9 to $1.7 million. Acute raw material shortages, aggravated by lengthy strikes in primary supply industries, served to reduce manufacturing activity despite record order backlogs, particularly in the Packaging and Plastic divisions.

Wholesale & Retail

Sales in this Division increased $107.4 million or 17.7% to $715.4 million (51.3% of consolidated net sales). Income from operations before minority interests declined 5.4%.

The Kelly, Douglas group showed an increase in sales of 9.1% overall with increases being reflected in all divisions. Spiralling costs of basic ingredients were the major cause of a severe decline in earnings of the manufacturing division. Profitability of the wholesale operations was improved over 1972 but income from retail operations and from catering services declined.

The Westfair Foods group recorded an increase in sales of 8.3%. Earnings, while improved, continued at a less than adequate level. Shortages and rapidly rising product costs characterized the year's operations and created difficulty in maintaining in the eyes of its customers the company's image as an efficient low-cost distributor of food products.

During the year or shortly thereafter wholesale and retail food distribution operations were consolidated under Westfair Foods Ltd. for the prairie provinces and under Kelly, Douglas & Company, Limited for British Columbia and the Yukon. Accordingly, Westfair acquired from Loblaws the Loblaw supermarkets in Alberta and Manitoba and the O.K. Economy operations centred in Saskatchewan, and sold its Malkin division, which operates in British Columbia and the Yukon, to Kelly, Douglas.

Loblaws

As in prior years Loblaws is not included in the 1973 consolidated financial statements of the Company, except to the extent of dividends received. While the Company holds directly or indirectly 67.7% of the voting shares of Loblaw Companies Limited, it has been considered — in view of the substantial minority interests in that company and certain of its subsidiaries — that the inclusion of its figures in the Weston consolidation would not provide the most appropriate or meaningful presentation. However, following the recent recommendation of the Canadian Institute of Chartered Accountants whereby all subsidiaries, with few exceptions, should be fully consolidated, it is planned to incorporate the Loblaw group of companies in subsequent consolidated financial statements of the Company.

As reported in the notes to the financial statements, Loblaws has incurred substantial losses. Dividends received during the year amounted to $2,510,000, as compared to $2,274,000 in 1972.

Consolidated net sales of $2.6 billion for Loblaw Companies for its fiscal year ended March 31, 1973 were marginally lower than the previous year. This was as a result of the large number of store closings which form a major part of the restructuring program of the National Tea Co. and Loblaw Inc. United States operations.

Sales by Division

(in millions of dollars)	1973	1972
Bakery	$ 98.3	$ 81.4
Special Products	44.6	13.7
Biscuit	121.5	111.4
Chocolate & Dairy	72.2	66.1
Fisheries	176.3	128.4
Forest Products	140.1	116.5
Packaging	51.3	47.5
Wholesale & Retail	715.4	608.0
Interdivision	(42.3)	(35.8)
Consolidated Net Sales	$1,377.4	$1,137.2

Bakery

Principal Subsidiaries
Weston Bakeries Limited
Lane's Bakeries Limited
Stuart Limited
Wittich's Bread Limited
Soo Line Mills (1969) Limited
McCarthy Milling Company, Limited

Facilities
Bakeries in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Toronto, Sudbury, Kingston, Kirkland Lake, Montreal and Moncton.
Flour Mills in Winnipeg, and Streetsville, Ontario.
Warehouses in principal cities in Canada.

Products & Services
Produces a wide variety of bread, rolls, cakes and other bakery products under national brand and private label for distribution to food stores and catering outlets in all provinces in Canada. Produces flour and mill feeds for internal use and domestic and export markets.

Special Products

Principal Subsidiaries
Bowes Company, Limited
Chocolate Products Limited
McNair Products Company, Limited
Rose & Laflamme Limited
Saxonia Fruit Preserving Company, Limited
Watt & Scott Limited

Facilities
Manufacturing and processing plants in Toronto, Montreal, and Colborne, Ontario.
Warehouses in principal Canadian cities.

Products & Services
Manufactures a variety of toppings and other products for the baking and confectionery industries. Packages and distributes a full line of dried and glacé fruits, nuts, cereals and health foods.

Sugar

Subsidiary
Westcane Sugar Limited

Facilities
Refinery and Warehouse at Oshawa, Ontario.

Products & Services
Produces liquid bulk and granulated bulk and packaged white sugars.

Biscuit

Principal Subsidiaries
InterBake Foods Limited
Weston Foods Limited
McCormick's Limited
Imperial Cone Company
Paulin Chambers Co. Ltd.
Marven's Limited
Kambly (of Switzerland) Canada Limited
InterBake Foods Inc. (U.S.)
and Divisions
Southern Biscuit Company
American Biscuit Company
Johnson Biscuit Company
Bates Packaging Services Inc.

Facilities
Biscuit and confectionery plants at Winnipeg, Brantford, Toronto, London, Longueuil, Moncton in Canada and Richmond (Virginia), Tacoma (Washington), Sioux City (Iowa) and Battle Creek (Michigan). Sales branches and distributors in principal cities of Canada and United States.

Products & Services
Manufactures and distributes a broad range of sweet biscuits, crackers, ice cream cones, confections and candies throughout Canada and in the United States.

Chocolate & Dairy

Principal Subsidiaries
William Neilson Limited
Willards Chocolate Limited
Donlands Dairy Limited
Royal Dairy

Facilities
Chocolate production facilities in Toronto. Ice cream plant in Toronto and dairies in Beachville, Guelph, and Toronto, Ontario.

Products & Services
Produces and distributes throughout Canada and in the United States a wide range of chocolate bars and boxed chocolates, chocolate coatings, cocoa and speciality items.
Also manufactures bulk and packaged ice cream and frozen novelties, and processes milk and associated products.

Fisheries

Principal Subsidiaries
British Columbia Packers Limited
Nelson Bros. Fisheries Limited
Rupert's Certi-Fresh Foods, Inc.
Connors Bros., Limited
H. W. Welch, Limited
Lewis Connors & Sons Limited

Facilities
British Columbia Packers Limited have extensive canning, freezing and processing facilities in British Columbia, Alaska, California and on the Atlantic coast.
Connors has similar facilities in the Bay of Fundy area including a can manufacturing plant.

Products & Services
British Columbia Packers group are major suppliers of Pacific coast salmon and a wide variety of fresh, frozen, canned and prepared fish, as well as fish meal and oil. Connors group are Canada's leading packers of sardines and a large processor of Atlantic Ocean seafoods and fish products.

Forest Products

Principal Subsidiaries
Eddy Paper Company Limited
- The E. B. Eddy Company
- J. E. Boyle Limited
- Eddy Forest Products Limited
- Eastern Fine Paper, Inc. (U.S.)

Facilities
Extensive timber limits and wood harvesting facilities in Ontario and Quebec. Pulp mill at Espanola, Ontario and paper mills at Espanola and at Hull, Quebec, and Brewer, Maine.
Sawmills at Davidson, Quebec and Nairn, Ontario.
Converting plant at Hamilton, Ontario.

Products & Services
Manufactures and distributes fine, specialty and kraft papers for printing, converting, packaging and wrapping; paper-board, kraft pulps and lumber; tissue, other household and industrial paper products; flexible packaging.

Packaging

Principal Subsidiaries
Somerville Industries Limited
- Somerville Automotive Trim Limited
- Canadian Folding Cartons Limited

Facilities
Major packaging plants at London, Ontario, Toronto, Montreal and Winnipeg. Automobile trim component plants at Toronto and Windsor. Plastic moulding and point-of-purchase display plants in Toronto.

Products & Services
Folding cartons and set-up boxes, milk cartons, labels, games and puzzles; fibreboard, hardboard and compression moulded plastic automotive components; plastic cups, dishes and cutlery; custom injection moulding and vacuum forming; merchandising displays and exhibits. Distribution across Canada and in the United States.

Wholesale & Retail

Principal Subsidiaries
Westfair Foods Ltd. and divisions
- Western Grocers
- Econo-Marts
- Mini Marts
- Dominion Fruit
- Shop Easy Stores
- The O.K. Economy Stores Limited

Kelly, Douglas & Company, Limited
- Nabob Foods Limited
- Super-Valu Stores (B.C.) Ltd.
- Cal-Van, Canus Catering Services Ltd.
- Cloverdale Paint & Chemicals Ltd.
- Isaacs Pharmacy Ltd.
- Dickson's Food Services Ltd.
- Foremost Foods Ltd.
- W. H. Malkin Ltd.

Facilities
Westfair has food distribution warehouses and retail food outlets in Alberta, Saskatchewan and Manitoba.
Kelly, Douglas has food manufacturing facilities at Burnaby, B.C. and Ajax, Ontario, food warehouses, retail food markets and drug stores in British Columbia.

Products & Services
Westfair wholesales and retails food and other products in Alberta, Saskatchewan and Manitoba operating convenience stores, discount outlets and food markets.
Kelly, Douglas manufactures food products for sale across Canada, markets food and drug products in British Columbia and the Yukon and conducts catering and restaurant operations and manufactures paint and chemicals for the Western Canada area.

Loblaws (not consolidated)

Principal Subsidiaries
Loblaw Companies Limited
Loblaws Limited
Zehr's Markets Limited
Dionne Limited
National Grocers Company Limited
Atlantic Wholesalers Limited
Sayvette Limited
G. Tamblyn, Limited
National Tea Co. (U.S.)
Loblaw Inc. (U.S.)

Facilities
Grocery warehouses in strategic centres and about 155 supermarkets in Ontario, Quebec and the Maritime provinces, and about 670 supermarkets in the United States. Retail drug stores across Canada and in the United States.
Department stores in Toronto area.

Products & Services
Retail marketing of food, drug and other products in Canada and United States—wholesale food distribution in Canada.
Department store merchandising in Toronto area.

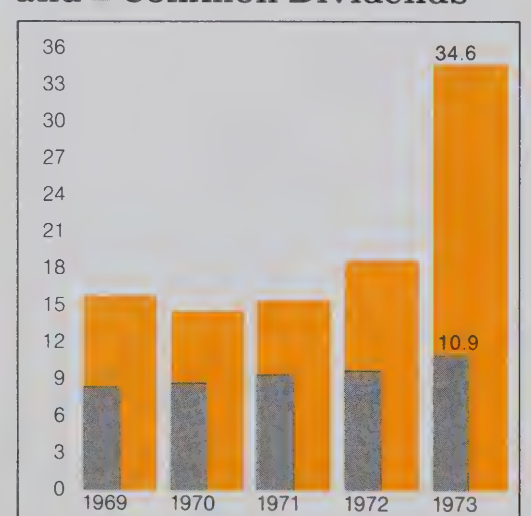
Financial Charts
(in millions of dollars)

Ten Year Review

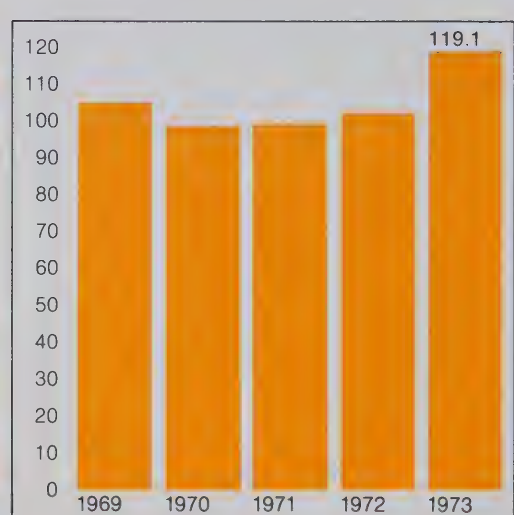
Ten Year Review	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Sales and Income										
Sales	$1,377.4	$1,137.2	$1,036.6	$997.4	$931.9	$729.9	$622.4	$579.8	$485.9	$462.6
Depreciation	19.8	19.0	17.4	17.2	15.8	12.6	11.0	9.4	8.2	7.2
Interest	15.8	10.2	10.3	11.4	11.2	8.5	7.6	6.1	4.7	4.8
Taxes on Income	31.1	13.7	11.4	11.9	13.0	12.0	8.4	11.6	11.0	10.2
Income from Operations	34.6	18.6	15.1	14.4	15.4	13.1	13.0	14.3	12.6	11.3
per common share	3.06	1.61	1.29	1.23	1.33	1.11	1.10	1.22	1.12	1.00
Extraordinary Items	—	11.3	1.7	1.2	.1	10.1	6.8	1.0	1.0	1.1
Net Income	34.6	29.9	16.8	15.6	15.5	23.2	19.8	15.3	13.6	12.4
per common share	3.06	2.65	1.45	1.35	1.33	2.04	1.72	1.31	1.21	1.09
Dividends										
common shares	10.9	9.6	9.2	8.7	8.2	8.2	8.2	7.4	5.4	4.5
preferred shares	1.2	1.0	1.0	.9	.9	1.0	1.0	1.0	1.0	1.0
Financial Position										
Current assets	345.2	257.9	234.8	218.6	212.8	197.0	163.0	140.3	119.2	114.3
Current liabilities	226.1	155.9	135.1	119.4	107.7	102.1	86.3	90.4	61.0	52.4
Working Capital	119.1	102.0	99.7	99.2	105.1	94.9	76.7	49.9	58.2	61.9
Fixed Assets—Net	213.2	182.7	181.0	183.4	183.4	158.4	136.6	120.0	107.8	93.9
Long-Term Debt	131.9	110.9	105.3	110.3	121.2	93.3	86.5	67.2	51.9	53.3
Shareholders' Equity	214.9	192.2	170.5	164.0	156.5	150.3	135.7	126.6	115.7	110.2
Total Assets	$ 622.9	$ 498.0	$ 456.8	$442.4	$437.1	$397.0	$349.4	$321.7	$259.2	$244.0

The figures for years 1964 to 1967 have not been restated for changes in accounting principle or presentation adopted in 1969.

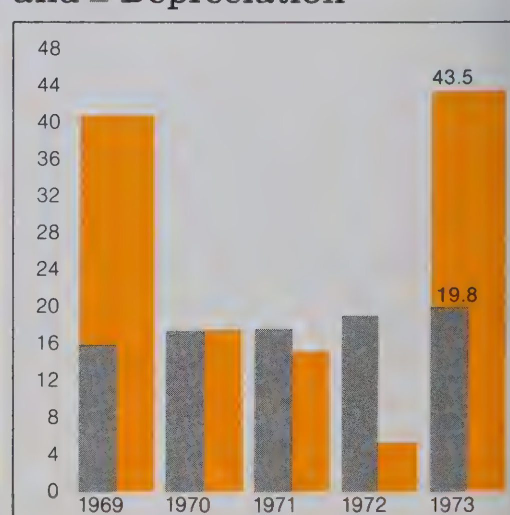
Income from Operations and Common Dividends



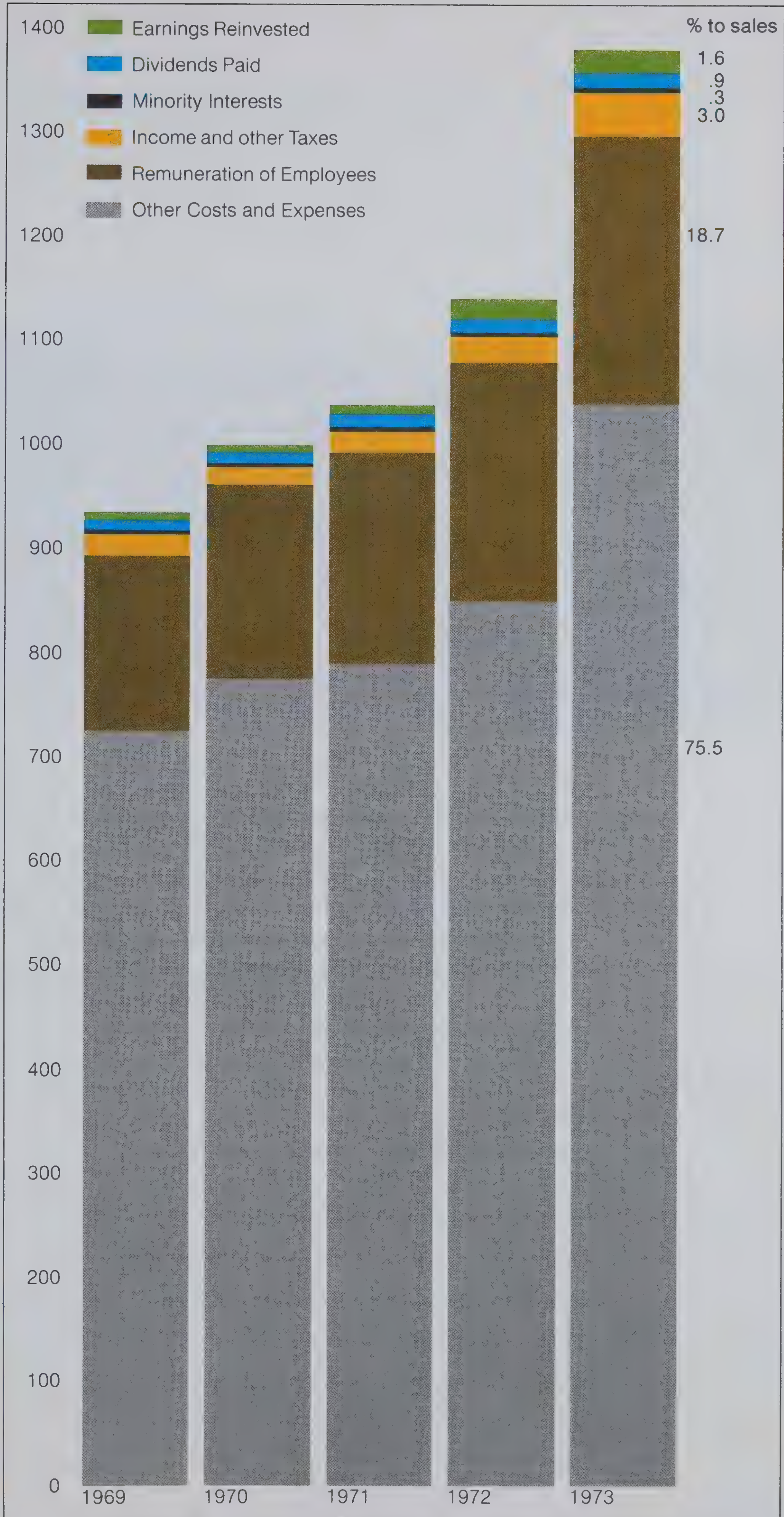
Working Capital



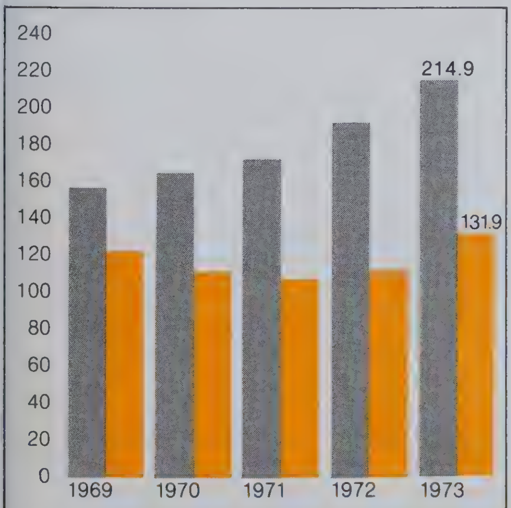
Fixed Asset Net Expenditure and Depreciation



Distribution of Sales Dollar



Long-Term Debt and Shareholders' Equity



From ocean, field and forest the Weston companies serve to bring nature's bountiful harvest into the home.

Many thousands of skilled and dedicated people and large investments in inventories, machinery, factories, warehouses and stores work in harmony in a widely diversified organization to provide top quality products at lowest possible prices.

GEORGE WESTON LIMITED

Notice of Annual Meeting

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of GEORGE WESTON LIMITED will be held in the Canadian Room of the Royal York Hotel, Toronto, Ontario, at 10:30 a.m. on Thursday, May 23, 1974 for the following purposes:

(1) To receive the consolidated financial statements of the Company for the year ended December 31, 1973, together with the report of the auditors thereon;

(2) To elect directors;

(3) To appoint auditors and authorize the directors to fix their remuneration; and

(4) To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto this 30th day of April, 1974.

By Order of the Board

K. H. Smith
Secretary

Shareholders who may be unable to attend the meeting personally are requested to date, sign and return the enclosed proxy to the Company in the envelope provided for that purpose.

GEORGE WESTON LIMITED

Information Circular

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation by the management of George Weston Limited (the "Company") of proxies to be used at the Annual Meeting of Shareholders of the Company to be held in the Canadian Room, Royal York Hotel, Toronto, Ontario at 10:30 a.m. on Thursday, May 23rd, 1974, or any adjournment thereof. The cost of such solicitation will be borne by the Company.

Revocation of Proxies

Any shareholder giving a proxy may revoke the proxy by instrument in writing executed by him or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited at the offices of National Trust Company, Limited, 21 King Street East, Toronto, Ontario, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting or adjournment thereof.

Exercise of Discretion by Proxies

The common shares represented by an appropriate form of proxy will be voted or withheld from voting on any ballot that may be called for with respect to any matter referred to therein in accordance with the specification made in the proxy. The proxy confers discretionary authority upon the persons named therein with respect to amendments or variations, if any, to matters identified in the notice of meeting and with respect to other matters, if any, which may properly come before the meeting. The management of the Company knows of no such amendments, variations or other matters to come before the meeting.

Voting Shares and Principal Holders Thereof

The Company presently has outstanding 10,999,357 common shares. Each shareholder is entitled to one vote for each common share registered in his name at the time of the meeting.

Wittington Investments Limited beneficially owns directly 5,560,000 common shares representing approximately 50.5% of the outstanding common shares. The W. Garfield Weston Charitable Foundation beneficially owns directly 497,000 common shares representing approximately 4.5% of the outstanding common shares. The W. Garfield Weston Charitable Foundation controls Wittington Investments Limited.

Election of Directors

All of the proposed nominees are now members of the board of directors and have been since the dates indicated below. The management does not contemplate that any of the nominees will be unable to serve as directors, but if that should occur for any reason prior to the meeting, **the persons named in the enclosed form of proxy reserve the right to vote for any other nominee of management.** Each director elected will hold office until the next annual meeting or until his successor is appointed or elected pursuant to the Company's by-laws.

The following indicates the names of all persons proposed to be nominated for election as directors, all other positions and offices presently held by them with the Company and their principal occupations or employments, the year in which each first became a director of the Company and the approximate number of shares of each class of equity shares of the Company or any subsidiary of the Company beneficially owned by each, directly or indirectly.

On September 20, 1973, Loblaws Limited loaned to National Tea Co. the sum of $10,000,000 bearing interest at 10% per annum and repayable on July 1, 1979. On December 6, 1973, Loblaws Limited loaned to National Tea Co. the sum of $7,000,000 bearing interest at 10% per annum and repayable on July 1, 1979. Both of these loans are subordinated to a bank loan of U.S. $39,000,000 to National Tea Co.

On December 29, 1973, Loblaws Limited sold to Westfair Foods Ltd., of 155F, Polo Park Centre, Winnipeg, Manitoba, a subsidiary of the Company, all of the property, assets and undertaking (subject to certain liabilities) of its Loblaw West division for a total consideration of $3,725,898.

On December 30, 1973, the Company sold to Westfair Foods Ltd. all of the property, assets and undertaking (subject to liabilities) of its O.K. Economy division and all of the issued and outstanding shares of The O.K. Economy Stores Limited for a total consideration of $8,084,308.

On December 30, 1973, Westfair Foods Ltd. sold all of the property, assets and undertaking of its Malkin division to W. H. Malkin Ltd., a subsidiary of the Company, for 37,500 7% cumulative, redeemable preferred shares of par value $100 each and a demand note in the amount of $8,298,678 with interest at 9% per annum. On February 4, 1974 Westfair Foods Ltd. received payment in full for the demand note and sold all of the issued and outstanding common shares of W. H. Malkin Ltd. to Kelly, Douglas & Company, Limited, a subsidiary of the Company, for one dollar.

On March 14, 1974, Loblaw Companies Limited Suite 3501, Commerce Court West, Toronto, a subsidiary of the Company, and Loblaws Limited entered into a guarantee of all obligations which National Tea Co. presently has or may have under an equipment lease dated March 14, 1974, whereby National Tea Co. leased from Chandler Leasing Corporation approximately U.S. $10,000,000 worth of equipment for up to nine years.

On April 4, 1974, Wittington Investments Limited, a principal shareholder of the Company, paid $54,000,000 in cash for the purchase subject to contract of the interests of Loblaw Companies Limited, Loblaws Limited and G. Tamblyn, Limited, 84 Sheppard Avenue East, Toronto, a subsidiary of Loblaws Limited, in Loblaw Leased Properties Limited and certain real properties and leasehold interests at values based upon independent appraisal. The contract will provide for the leasing of the subject properties to the present occupants.

On April 11, 1974, Loblaw Companies Limited entered into a guarantee of payment of all amounts becoming payable by National Tea Co. under or by virtue of an agreement between National Tea Co. and a consortium of American banks, providing for a loan to National Tea Co. of U.S. $39,000,000.

Appointment of Auditors

A shareholder of the Company has given notice of intention to nominate Thorne Gunn & Co. as auditors of the Company. Clarkson, Gordon & Co. are the present auditors of the Company. Thorne Gunn & Co. are the auditors of Loblaw Companies Limited and its Canadian subsidiaries. The management of the Company proposes to support the nomination of Thorne Gunn & Co. as auditors of the Company to hold office until the next annual meeting of shareholders. This proposed change is consequent upon the decision to consolidate the accounts of Loblaw Companies Limited with George Weston Limited in 1974.

Toronto, Ontario
April 30, 1974

K. H. Smith
Secretary

Information as to Proposed Nominees for Election as Directors

Name	Principal Occupation	Director Since	Approximate Number of Equity Shares of the Company and its Subsidiaries
W. Galen Weston	Chairman of the Board and Managing Director of the Company, and Chief Executive Officer of Loblaw Companies Limited (wholesale and retail grocery business)	1967	85,475 common shares of the Company 47,100 Class A shares of Loblaw Companies Limited 92,900 Class B shares of Loblaw Companies Limited
W. Garfield Weston	Vice-Chairman of the Board of the Company, and President of Associated British Foods Limited (food products processor and distributor)	1928	183,700 common shares of the Company 7,600 Class A shares of Loblaw Companies Limited 4,100 Class B shares of Loblaw Companies Limited
G. E. Creber	President of the Company	1962	151,378 common shares of the Company 61,000 Class A shares of Loblaw Companies Limited 40,003 Class B shares of Loblaw Companies Limited
V. F. MacLean	President and Chief Executive Officer of Kelly, Douglas & Company, Limited (wholesale and retail grocery business)	1969	300 common shares of the Company 3,000 Class B shares of Loblaw Companies Limited 48 Class B shares of Kelly, Douglas & Company, Limited
George C. Metcalf	Vice-President of the Company and Chairman of the Board of Loblaw Companies Limited (wholesale and retail grocery business)	1951	198,006 common shares of the Company 2,100 Class A shares of Loblaw Companies Limited 16,003 Class B shares of Loblaw Companies Limited
James A. Watson	Vice-President of the Company and President of National Tea Co. (wholesale and retail grocery business)	1973	50 common shares of the Company
R. I. Nelson	President and Chief Executive Officer, British Columbia Packers Limited (seafood processor and distributor)	1969	2,200 common shares of the Company 25,000 Class B Shares of British Columbia Packers Limited
E. P. Rathgeber	Retired, formerly President, Westfair Foods Ltd. (wholesale and retail grocery business)	1969	100 common shares of the Company 1,300 Class B shares of Loblaw Companies Limited

Name	Principal Occupation	Director Since	Approximate Number of Equity Shares of the Company and its Subsidiaries
FRANK A. RIDDELL	Vice-President of the Company, President, Weston Bakeries Limited, President, Interbake Foods Limited (manufacture and distribution of bakery, biscuit and confectionery products)	1951	14,115 common shares of the Company
ROBERT C. SHROPSHIRE	President and Managing Director, William Neilson Limited (manufacture and distribution of chocolate and ice cream products)	1970	50 common shares of the Company
G. H. WESTON	Chairman, Associated British Foods Limited (food products processor and distributor)	1966	4,120 common shares of the Company

Remuneration of Management and Others

The aggregate direct remuneration paid or payable in 1973 to the directors and officers of the Company was as follows:

	Directors' Fees	Other Remuneration
By the Company............	Nil	$876,538
By subsidiaries.............	$45,768	$488,855

The estimated aggregate cost to the Company and its subsidiaries in 1973 of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company or any of its subsidiaries to the persons mentioned in the preceding paragraph was $67,500.

Interest in Material Transactions

Pursuant to the Company's Executive Share Purchase Plan, authorized by the shareholders on June 4, 1970, the Company loaned an aggregate of $355,000 to The Canada Trust Company as trustee to enable the trustee to purchase on behalf of certain key executives of the Company 3,550 6% Cumulative Redeemable Convertible Preferred Shares, Seventh Series, on February 19, 1973. These Preferred Shares are held by the trustee as security for promissory notes bearing interest at 6% per annum given by the participating executives in payment of their respective Preferred Shares. The Preferred Shares, Seventh Series are convertible into 16,905 common shares of the Company on the basis of $21.00 per common share. The rate at which the Preferred Shares, Seventh Series are convertible into common shares was fixed at 100% of the market value of the common shares on February 19, 1973.

On March 31, 1973, Loblaws Limited (formerly Loblaw Groceterias Co., Limited) of Suite 3501, Commerce Court West, Toronto, a subsidiary of the Company, sold certain freehold properties to Wittington Realty & Construction Limited, a subsidiary of Wittington Investments Limited, both of Suite 3501 Commerce Court West, Toronto, for $2,265,140.

On March 31, 1973, Loblaws Limited purchased from National Tea Co., of 8303 West Higgins Road, Chicago, Illinois, a subsidiary of Loblaws Limited, 2,717,582 shares of the common stock of Loblaw Inc. for U.S. $26,042,122.

By agreement as of March 31, 1973, the Company purchased from Loblaws Limited all of the property, assets and undertaking (subject to certain liabilities) of its O.K. Economy division and from Food Markets Holdings Limited, Suite 3501, Commerce Court West, Toronto, a subsidiary of Loblaws Limited, all of the issued and outstanding shares of The O.K. Economy Stores Limited for a total consideration of $7,401,929.

Consolidated Financial Statements

Consolidated Statement of Income

George Weston Limited
Year ended December 31, 1973
(in thousands of dollars)

	1973	1972
Sales and other income:		
Sales	$1,377,360	$1,137,232
Dividends from Loblaw Companies Limited (note 1a)	2,510	2,274
Other investment income	3,773	1,721
	1,383,643	1,141,227
Costs and expenses:		
Cost of sales, selling and administrative expenses (before the following items)	1,278,895	1,077,481
Depreciation	19,811	18,965
Interest on long-term debt	9,202	6,597
Other interest	6,579	3,562
	1,314,487	1,106,605
Income from operations before income taxes, minority interests and extraordinary item	69,156	34,622
Income taxes	31,066	13,664
	38,090	20,958
Minority interests	3,461	2,381
Income from operations before extraordinary item	34,629	18,577
Extraordinary item:		
Gain on sale of certain properties in Hull, Quebec, less provisions for related items		11,340
Net income for the year	$ 34,629	$ 29,917
Per common share (note 6b):		
Income from operations before extraordinary item	$3.06	$1.61
Net income for the year	$3.06	$2.65

(See accompanying notes)

Consolidated Balance Sheet

George Weston Limited
(Incorporated under the laws of Canada)
as at December 31, 1973
(in thousands of dollars)

Assets

	1973	1972
Current assets:		
Cash and deposit receipts	$ 3,459	$ 6,253
Demand loans to a non-consolidated subsidiary	8,256	
Accounts receivable (note 2)	96,534	83,658
Inventories, at the lower of cost and net realizable value —		
Raw materials and supplies	70,066	41,075
Finished goods	161,319	121,843
Prepaid expenses	5,523	5,115
	345,157	257,944
Investments and other assets:		
Shares in non-consolidated subsidiaries (note 3)	31,065	27,395
Secured loans and advances (note 3)	9,228	8,819
Sundry investments (note 3)	10,218	6,573
Properties held for development, at cost	2,501	4,203
Excess of cost of shares of subsidiaries over fair value of net assets acquired (note 1c)	10,912	9,708
Deferred foreign exchange adjustment (note 1d)	652	715
	64,576	57,413
Fixed assets, at cost:		
Land and buildings	132,307	117,136
Machinery and equipment	334,397	296,998
	466,704	414,134
Less accumulated depreciation	253,515	231,465
	213,189	182,669
	$622,922	$498,026

On behalf of the Board:

W. Garfield Weston, Director

G. E. Creber, Director

Liabilities	1973	1972
Current liabilities:		
Bank advances and notes payable (note 4)	$ 90,301	$ 62,819
Accounts payable	108,695	78,599
Taxes payable	13,663	8,129
Dividends payable	3,056	2,510
Long-term debt payable within one year (note 5)	10,364	3,873
	226,079	155,930
Long-term debt (note 5)	131,915	110,921
Deferred items:		
Deferred income taxes	21,865	11,401
Deferred real estate income	257	91
Excess of fair value of net assets acquired over cost of shares of subsidiaries (note 1c)	909	2,601
	23,031	14,093
Minority interests in subsidiaries	27,017	24,929
Shareholders' equity:		
Preferred shares (note 6)	21,759	21,614
Common shares (note 6)	19,227	19,227
Retained earnings (note 7)	173,894	151,312
	214,880	192,153
	$622,922	$498,026

(See accompanying notes)

Consolidated Statement of Retained Earnings

George Weston Limited
Year ended December 31, 1973
(in thousands of dollars)

	1973	1972
Retained earnings at beginning of year	$151,312	$132,004
Add net income for the year	34,629	29,917
	185,941	161,921
Deduct:		
Dividends declared —		
Preferred shares:		
4½% first series	424	432
6% second series	463	470
6% third series	84	89
6% fourth series	15	16
6% fifth series	148	
6% sixth series	36	
6% seventh series	17	
	1,187	1,007
Common shares (1973—99.5¢ per share; 1972—88¢ per share)	10,860	9,602
	12,047	10,609
Retained earnings at end of year	$173,894	$151,312

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

George Weston Limited
Year ended December 31, 1973
(in thousands of dollars)

	1973	1972
Source of working capital:		
From operations —		
Income from operations before extraordinary item	$ 34,629	$ 18,577
Add (deduct):		
Depreciation	19,811	18,965
Deferred income taxes	10,078	60
Amortization of differences between cost of shares of subsidiaries acquired and fair value of net assets acquired (note 1c)	(1,093)	(1,352)
Deferred real estate income	(103)	(399)
Excess of dividends received from George Weston Properties Limited over equity in income (note 1a)		496
Minority interests in income (less dividends)	2,674	1,625
	65,996	37,972
Proceeds from disposal of fixed assets (less related provisions and costs involving working capital)	5,034	22,074
Proceeds from issue of long-term debt	37,210	46,543
Preferred and common shares issued	355	2,651
	108,595	109,240
Application of working capital:		
Reduction in long-term debt	16,216	42,781
Purchase of fixed assets	48,526	27,003
Preferred shares purchased for cancellation	210	323
Dividend to shareholders	12,047	10,609
Purchase of minority interests	698	1,512
Net acquisition of investments and other assets	5,871	10,225
Acquisition of subsidiary companies (net of working capital of $2,432 acquired; 1972—$7,720) (note 1b)	7,963	14,437
	91,531	106,890
Increase in working capital	17,064	2,350
Working capital, beginning of year	102,014	99,664
Working capital, end of year	$119,078	$102,014

(See accompanying notes)

George Weston Limited December 31, 1973

1. Summary of significant accounting policies

(a) Basis of consolidation

(i) The accompanying financial statements consolidate all subsidiary companies except Loblaw Companies Limited and its subsidiary companies ("Loblaw") which is carried at cost.

George Weston Limited ("Weston") has voting control of Loblaw through ownership of 67.7% of that company's outstandin class B voting shares. The Weston holding of the combined Class A non-voting shares and the class B voting shares represents 60.3% of the total participating shares outstanding. Because of the large minority interests in Loblaw, as well as the substantial minority interests in the Loblaw subsidiary companies themselves, management has felt that consolidation of the Loblaw accounts with those of Weston's would not be the most informative presentation.

Effective January 1, 1973, the Canadian Institute of Chartered Accountants has recommended that, with rare exceptions, all subsidiaries should be fully consolidated. The effect of this recommendation is that the practice followed in the accompanying financial statements of carrying the investment in Loblaw at cost can no longer be said to be in accordance with generally accepted accounting principles.

In view of this it is the company's intention to include the accounts of Loblaw in the Weston consolidated financial statement for the year commencing January 1, 1974, the earliest practicable period for which such a step could be taken. To provide a proper starting point for the consolidation, the fiscal year-end of Loblaw has been changed to coincide with that of Weston, effective December 31, 1973. The Company proposes to first publish operating results on a fully consolidated basis commencing with the quarter ending March 31, 1974.

The following information has been extracted from the audited consolidated financial statements of Loblaw for the fifty-two weeks ended March 31, 1973 (with comparative figures for the previous year as restated by Loblaw):

	1973	1972
	(in thousands of dollars)	
Working capital	$ 71,527	$ 99,588
Total assets	531,282	547,109
Minority interests in subsidiaries	90,266	111,267
Shareholders' equity	95,585	117,099
Sales	2,560,283	2,592,748
Income (loss) before special items	(6,539)	4,095
Net income (loss)	(14,764)	7,261
Weston's share of the above consolidated earnings (loss) of Loblaw (after eliminating an inter-company gain of $340,000 in 1973) is as follows:		
Net income (loss) — total	(9,097)	3,177
— per share of Weston common stock	(83)¢	(29)¢
Weston has reflected in its net income the dividends received from Loblaw as follows:		
Dividends received during the year ended December 31 — total	2,510	2,274
— per share of Weston common stock	23¢	21¢

Weston's share of the undistributed earnings of Loblaw from date of acquisition to March 31, 1973 (after retained earnings adjustments) amounts to $19,705,000.

Unaudited results reported by Loblaw for the twenty-eight weeks ended October 13, 1973, the most recent figures available as of the date of this report (with comparative figures for the corresponding period in the previous year) are as follows:

	1973	1972
	(in thousands of dollars)	
Income (loss) before special items	**$(9,563)**	$(1,502)
Net income (loss)	**(8,927)**	287
Weston's share of above consolidated earnings (loss) of Loblaw is as follows:		
Net income (loss) — total	**(5,701)**	(133)
— per share of Weston common stock	**(52)¢**	(1)¢

(ii) George Weston Properties Limited, carried on the equity basis in 1972, has been fully consolidated in 1973. This change in presentation had no effect on reported net income and no material effect on assets or liabilities.

(b) Acquisitions

During the year the company and its subsidiaries acquired four businesses. These transactions were accounted for as purchases, with the operating results of the acquired businesses included in the consolidated statement of income from the effective dates of acquisition.

The acquisition equation based on unaudited financial statements at dates of acquisition is set out below:

	(in thousands of dollars)
Assets acquired —	
Net current assets	$ 2,432
Fixed assets at book value which approximates fair value	6,839
Investments	88
	9,359
Liabilities assumed —	
Deferred real estate income	269
Deferred income taxes	386
	655
Net assets acquired	8,704
Excess of cost of shares over fair value of net assets acquired	1,691
Cash paid	$10,395

(c) Amortization of differences between the cost of investment in subsidiaries and fair value of net assets acquired

The company follows the policy of amortizing, over periods not exceeding twenty years, the net difference between the cost of investment in subsidiaries and the estimated fair value of their net assets at date of acquisition. In the case of one subsidiary acquired during 1969, where the fair value of net assets exceeded the cost of the investment, the excess is being amortized and credited to income over five years, this being the estimated period necessary to achieve the full economies of integration.

Total amortization charges and credits resulted in a net credit to income of $1,093,000 in 1973 and $1,352,000 in 1972 (included in "Cost of sales, selling and administrative expenses").

(d) Foreign exchange

As in preceding years, all U.S. balances have been translated at a rate approximating the current rate. The net difference on the translation of the company's equity in its U.S. subsidiaries and the long-term debt of its Canadian subsidiaries has been deferred until realized, and is shown on the balance sheet as "Deferred foreign exchange adjustment".

2. Accounts receivable

Accounts receivable include a net amount of \$3,476,000 (1972 — \$1,834,000) arising from trade and other current transactions with subsidiaries not consolidated.

3. Investments

Shares in subsidiary companies not consolidated consists of the investment in shares of Loblaw Companies Limited having a quote market value of \$34,052,000 carried at a cost of \$31,065,000. Because of the number of Loblaw Companies Limited shares involved, and the fact that these securities represent control of the company, the amount that would be realized if these securities were to be sold may be considerably more or less than the market value indicated above.

Secured loans and advances include \$333,500 owing by a director for the purchase of shares in British Columbia Packers Limited and \$4,652,500 owing by directors and officers of the company and its subsidiaries arising out of the purchase of preferred shares o the company through a trustee as part of the company's incentive plan. These advances are secured by the shares purchased.

Sundry investments include 837,005 shares of M. Loeb, Limited costing \$5,049,000 with a quoted market value of \$2,930,000 at December 31, 1973. At the request of the Department of Consumer and Corporate Affairs of the Federal Government the company has agreed to dispose of the shares as soon as conveniently possible. In the opinion of management the current decline in the market value is not permanent and accordingly the shares continue to be carried at cost.

Also included in sundry investments are shares and bonds costing \$271,000 with quoted market value of \$234,000 at December 31, 1973. The remaining sundry investments do not have quoted market values and realizable value is estimated to be not less than cost.

4. Bank advances and notes payable

Bank indebtedness of certain subsidiary companies of approximately \$46,240,000 is secured by a pledge of accounts receivable and inventories of these companies.

5. Long-term debt

	Payable within one year	Total 1973	Total 197
	(in thousands of dollars)		
George Weston Limited:			
Series C — 5¼% Sinking fund debentures due May 15, 1982	\$ 54	\$ 8,529	\$ 9,07
Series D — 5½% Sinking fund debentures due May 15, 1983	79	9,079	9,58
Series E — 6¾% Sinking fund debentures due July 15, 1986	245	6,995	7,21
Series F — 6¾% Sinking fund debentures due June 1, 1987	100	22,100	22,99
Bank loan from a Canadian chartered bank, bearing interest at ½% above the prime rate, repayable in annual instalments of \$3,000,000 with a final payment of \$17,000,000 in 1977	3,000	26,000	26,00
Term debenture with a Canadian chartered bank, bearing interest at 2¼% above the prime rate, repayable in annual instalments of \$750,000, with a final payment of \$4,500,000 in 1987 (interest rate subject to reduction to 1% above the prime rate if loan repaid on or prior to December 29, 1977)	750	14,250	15,00
	4,228	86,953	89,86

Long-term debt—continued

	Payable within one year	Total 1973	Total 1972
	(in thousands of dollars)		
British Columbia Packers Limited:			
First Mortgage Bonds —			
Series B — 6½ % Sinking fund bonds due May 1, 1983 ($3,746,000 U.S.)	386	3,862	4,249
Series C — 6½ % Sinking fund bonds due May 1, 1983 ($1,249,000 U.S.)	129	1,288	1,416
	515	5,150	5,665
Eddy Paper Company Limited:			
First Mortgage Bonds —			
1954 Series — 4% Sinking fund bonds due October 1, 1974		3,538	3,957
1955 Series — 4% Sinking fund bonds due June 1, 1975		945	994
		4,483	4,951
Less funds deposited with trustee to meet all principal repayments to maturity		4,483	4,951
		—	—
Kelly, Douglas & Company, Limited:			
Series A — 6% Sinking fund debentures due November 1, 1977	66	1,366	1,487
1973 Series — 8⅜% Sinking fund debentures due March 15, 1993		11,475	
Demand note payable bearing interest at 1% above the prime rate			2,500
Demand notes payable, bearing interest at 5½ %, repayable in 1974 ($2,884,000 U.S.)	2,973	2,973	3,419
	3,039	15,814	7,406
Somerville Industries Limited:			
Series B — 6% Sinking fund first mortgage bonds due June 15, 1977		676	683
8½ % Sinking fund debenture due April 1, 1993		7,900	
		8,576	683
Westcane Sugar Limited:			
9⅜% Sinking fund debentures due September 5, 1978	1,200	6,000	
9⅜% First mortgage sinking fund bonds due September 5, 1993		9,000	
	1,200	15,000	
Notes, mortgages and other long-term debt	1,382	10,786	11,173
	$10,364	142,279	114,794
Less payable within one year		10,364	3,873
Long-term debt		$131,915	$110,921

Instalments of long-term debt payable each year for the next five years are:

1974	—	$10,364,000
1975	—	10,322,000
1976	—	9,511,000
1977	—	37,141,000
1978	—	5,314,000

6. Capital stock

	Number of shares 1973	Number of shares 1972	Amount 1973	Amount 197
			(in thousands of dollars)	
Preferred cumulative redeemable shares, par value $100 each, issuable in series:				
Authorized	352,497	352,497		
Issued and outstanding —				
4½ % first series, redeemable at a premium of 4%	94,111	95,249	$ 9,411	$ 9,52
6% second series, redeemable at a premium of 5%	76,959	77,915	7,696	7,79
6% third series, redeemable at par after October 1, 1980, convertible into 5 common shares for each preferred share and $3.75. (Note 3)	14,000	14,000	1,400	1,40
6% fourth series, redeemable at par after October 1, 1980, convertible into 8 common shares for each preferred share and $12.00. (Note 3)	2,500	2,500	250	25
6% fifth series, redeemable at par after September 1, 1982, convertible into 5 common shares for each preferred share and $11.25. (Note 3)	20,000	20,000	2,000	2,00
6% sixth series, redeemable at par after January 1, 1983, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $18.50. (Note 3)	6,475	6,475	647	64
6% seventh series, redeemable at par after February 19, 1983, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $21.00. Issued in 1973. (Note 3)	3,550		355	
	217,595	216,139	21,759	21,61
Common shares, without par value:				
Authorized (a)	16,950,000	16,950,000		
Issued	10,914,357	10,914,357	19,227	19,22
			$40,986	$40,84

(a) 241,905 shares are reserved for the potential conversion of third to seventh series preferred shares.

(b) The exercise of the conversion privileges of preferred shares would not have a material effect on earnings per share.

7. Retained earnings

The trust indentures, under which long-term debt is outstanding, contain provisions whereby consolidated retained earnings must exceed certain amounts before payment of dividends. At December 31, 1973 consolidated retained earnings were substantially in excess of the minimum levels.

8. **Commitments and contingent liabilities**

(a) The aggregate minimum rentals under long-term leases (extending beyond five years from the balance sheet date) in effect at December 31, 1973 are as follows for each of the five year periods shown:

1974 — 1978	$36,928,000	1989 — 1993	$13,683,000
1979 — 1983	28,209,000	1994 — 1998	4,066,000
1984 — 1988	21,933,000	After 1998	232,000

Rentals paid in 1973 under long-term leases amounted to $7,057,000.

(b) Contingent liabilities, relating mainly to third party guarantees, amount to approximately $8,730,000.

9. **Other statutory information**

(a) The aggregate direct remuneration paid to directors and officers was as follows:

Number of directors	12 (including one former director)
Number of officers	14 (including two former officers)
Number of officers who are also directors	6 (including one former officer who is also a former director)

	Directors' fees	Other remuneration
Paid by the company	nil	$876,538
Paid by subsidiaries	$45,768	$488,855

(b) Sales by Division (in millions of dollars):

	1973	1972
Bakery	$ 98.3	$ 81.4
Special products	44.6	13.7
Biscuit	121.5	111.4
Chocolate and dairy	72.2	66.1
Fisheries	176.3	128.4
Forest products	140.1	116.5
Packaging	51.3	47.5
Wholesale and retail	715.4	608.0
Interdivision	(42.3)	(35.8)
	$1,377.4	$1,137.2

(c) The Companies Act of British Columbia

These financial statements comply with the disclosure requirements of the act of incorporation (The Canada Corporations Act) and the securities legislation of certain provinces in Canada, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

Auditors' Report

Clarkson, Gordon & Co.

Chartered Accountants

To the Shareholders of George Weston Limited:

We have examined the consolidated balance sheet of George Weston Limited and consolidated subsidiary companies as at December 31, 1973, and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that the assets, liabilities and operating results of Loblaw Companies Limited have not been consolidated herein as explained in note 1 to the consolidated financial statements, these consolidated financial statements present fairly the financial position of George Weston Limited and consolidated subsidiary companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
March 8, 1974.

Chartered Accountants

Directors

W. Galen Weston
Chairman of the Board
and Managing Director
George Weston Limited
Chief Executive Officer
Loblaw Companies Limited

W. Garfield Weston
Vice-Chairman of the Board
George Weston Limited

G. E. Creber
President
George Weston Limited

George C. Metcalf
Vice-President
George Weston Limited
Chairman of the Board
Loblaw Companies Limited

Frank A. Riddell
Vice-President
George Weston Limited
President
Weston Bakeries Limited
President
Interbake Foods Limited

James A. Watson
Vice-President
George Weston Limited
President
National Tea Co.

V. F. Maclean
President
Kelly, Douglas & Company, Limited

R. I. Nelson
President
British Columbia Packers Limited

E. P. Rathgeber
Retired, formerly President
Westfair Foods Ltd.

Robert C. Shropshire
President
William Neilson Limited

G. H. Weston
Chairman
Associated British Foods Limited

Officers

W. Galen Weston
Chairman of the Board
and Managing Director

W. Garfield Weston
Vice-Chairman of the Board

G. E. Creber
President

P. F. Connell
Vice-President, Finance

George C. Metcalf
Vice-President

Frank A. Riddell
Vice-President

James A. Watson
Vice-President

D. N. McPhie
Controller

K. H. Smith
Secretary

W. A. Sloan
Treasurer

B. G. Childs
Manager of Special Projects

K. L. Harlock
Assistant Controller

G. D. McLeod
Assistant Secretary

Executive Offices
Commerce Court West, Toronto, Ontario

Stock Listings
Toronto, Montreal and Vancouver
Stock Exchanges

Transfer Agents
National Trust Company, Limited,
Toronto, Montreal, Winnipeg,
Edmonton and Vancouver;
The Detroit Bank and Trust Company,
Detroit, Michigan, U.S.A.

General Counsel
Smith, Lyons, Torrance, Stevenson and
Mayer

Auditors
Clarkson, Gordon & Co.

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